

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

--	--	--	--	--	--	--	--	--	--

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2021/2022

DTX5024 – TAXATION 2

(All Sections/Groups)

27 APRIL 2022

9.00 a.m – 12.00 p.m

3 Hours

INSTRUCTIONS TO STUDENT

1. This question paper consists of 11 pages with 4 questions.
2. Attempt **ALL** questions. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Hops Glamping Sdn Bhd, a Malaysian resident company commenced its business in January 2020 by manufacturing a tent with a paid up capital of RM1.8 million.

The company closes its accounts on 31 December annually and presented the Statement of Profit or Loss as follow:

Hops Glamping Sdn Bhd Statement of Profit or Loss For the year ended 31 December 2021			
	Note	RM	RM
Sales			2,868,000
Less: Cost of sales	1		(284,300)
Gross profit			2,583,700
Add: Other income			
Rental			144,000
Gain on disposal of asset			54,100
			2,781,800
Less: <u>Expenditure</u>			
Remuneration	2	224,300	
Staff welfare	3	134,800	
Repairs and renewals	4	250,000	
Interest	5	110,000	
Legal and professional expenses	6	32,580	
Bad and doubtful debts	7	33,700	
Entertainment expenses	8	107,440	
Working from home	9	50,000	
Library facilities	10	167,300	
Research and development	11	232,300	
Cultural activity	12	846,210	
Miscellaneous expenses	13	56,000	(2,244,630)
Net profit before tax			537,170

Notes to the account for the year ended 31 December 2021:

1. Cost of sales

Cost of sales includes:

- Insurance premium paid for the export of cargo to Singapore of RM13,500.
- Depreciation amounted to RM23,700.

Continued...

2. Remuneration

The remuneration includes of:

- a) Payment made to two disabled employees amounted to RM57,000
- b) EPF contribution of RM60,000.
- c) Travelling allowance of RM12,400.
- d) Bonus amounted to RM44,900.

3. Staff welfare

The staff welfare and social responsibility for the year are as follows:

- a) Child care allowance to the employees of RM25,000.
- b) Contributed to a health charity project approved by the Minister of RM12,800.
- c) Granted a leave passage to the employee and their immediate family within Malaysia amounted to RM97,000.

4. Repairs and renewals

Repairs and renewals consist of:

- a) Rebuilding part of the business premise to be a store of RM85,000.
- b) Replaced damaged tiles in office lobby of RM43,200.
- c) Spend RM77,000 on renovation of premises pathway to assist the disabled employees. The disabled employees are registered with the Department of Social Welfare.
- d) Repainting of the factory wall of RM44,800.

5. Interest

The interest charges are made up of the following:

- a) Interest on the loan for the purchase of vacant land of RM43,100.
- b) Interest on borrowing for working capital RM66,900.

6. Legal and professional expenses

The legal and professional expenses consist of:

- a) Legal fees on tax appeal of RM5,600.
- b) Statutory audit fees of RM12,300.
- c) Total of secretarial fees of RM10,500 inclusive of out-of-pocket expenses (telephone, stationeries, and printing expenses) amounted to RM5,700.
- d) Tax filing fee of RM4,180.

Continued...

7. Bad and doubtful debts

Bad debts were as follows:

- a) Bad debts written off after issuing reminder notices and make a legal action amounted to RM10,400.
- b) Provided a loan to family member of RM5,700.
- c) Paid an advance of RM4,000 to a supplier in China due to secure a supply of raw material.
- d) Specific provision for bad and doubtful debt of RM13,600 as it is irrecoverable by an identified debtors.

8. Entertainment expenses

The company had incurred the following expenses during the year:

- a) Company annual dinner for staffs of RM27,500.
- b) Dinner treat to company's supplier of RM8,700.
- c) Spend RM18,000 for a food and drinks for the launching of a new product.
- d) Purchased a mugs with a total of RM5,200 which was given as a promotional gift to the customer (no business logo affixed).
- e) Promotional gifts at foreign trade fair of RM22,300 to promote Malaysian export.
- f) Sponsoring a sporting event which only open to employees of RM25,740.

9. Working from home

Provided eight laptops to facilitate the flexible working arrangement of its employees because of the COVID-19 pandemic.

10. Library facilities

The company give a cash contribution on the provision of library facilities which open to public.

11. Research and development

Research and development expenditure is approved by Ministry of Finance.

Continued...

12. Cultural activity

The company sponsoring a cultural activity that approved by The Ministry of Tourism, Arts and Culture Malaysia in two separate event which are:

- a) Local cultural activity of RM526,000.
- b) Foreign cultural event of RM320,210.

13. Miscellaneous expenses

The miscellaneous expenses consist of:

- a) Incurred RM14,000 for travelling allowance to employees from home to office.
- b) Traffic fines of RM8,200.
- c) Payment of monthly bill for broadband subscription of RM11,300.
- d) Facilitate the training of unemployed graduates on industrial courses of RM22,500.

14. Other information

Hops Glamping Sdn Bhd claimed a current year capital allowance of RM132,000 on its qualifying plant and machinery and a balancing charge of RM211,000 on disposal of asset.

Required

Based on the information given, compute the statutory business income of Hops Glamping Sdn Bhd for the year of assessment 2021.

Note:

i. Your computation should start with the profit before taxation figure and follow the description used in the profit and loss account, and where applicable the description used in the notes to the accounts. In making your tax adjustments to the entries, you should indicate 'Nil' where no adjustments are made or are not required. You do not need to explain the adjustments that you are making.

ii. Round up all figures to the nearest thousand.

(Total: 25 Marks)

Continued...

QUESTION 2**PART A**

Racoozen Berhad was established since in year 2017. The company manufactured a variety of tyres. Racoozen Berhad presents its assets acquired during its financial year ended 31 December 2021 as follows:

Type of assets	Plant and machinery (General) (RM)	Office equipment (RM)	Secondhand car (RM)
Acquisition date	1/4/2019	6/1/2018	15/5/2019
Cost	200,000	172,000	80,000
Incidental cost	5,000	1,200	-
Cost of site preparation for installation	10,000	-	-
Disposal date	-	31/12/2021	30/9/2021
Disposal price	-	70,000	35,000

Notes:

All assets were acquired for business purposes till the end of 31 December 2021.

Required

Calculate capital allowances due to the company in respect of all assets from the acquisition date up to Year of Assessment 2021. Show all workings. (14 marks)

Continued...

PART B

Quenchy Sdn Bhd, a tiles manufacturer was incorporated since year 2018. The company prepares its annual accounts to 31 December. In year 2020, the company expanded its business by acquiring a new land to build another warehouse. Following are the expenditures incurred on the new land for the year ended 31 December 2020:

	RM
Cost of land	280,000
Legal fee and stamp duty (RM3,400 relating to acquisition of land)	12,500
Architect's fees	25,400
Cost of terracing and levelling land	26,000
Warehouse plan approval fee	32,000
Construction cost	538,000
Electrical wiring and fitting	150,000
	1,063,900

The construction of the new warehouse was completed and brought into use on 1 February 2020. One-fifth of the warehouse was used as an office.

Required

- Calculate the qualifying building expenditure for the warehouse. (4.5 marks)
- Compute the industrial building allowances for the warehouse until it being disposed in August 2021 for RM880,000 (including cost of land amounted to RM125,000). (6.5 marks)

(Total : 25 Marks)

Continued...

QUESTION 3**PART A**

Boolat Partnership was formed by three partners. The company commenced their business on 1 January 2020 with a capital contribution of each partner of RM180,000 from Rowan and Jessy, and RM90,000 from Kyra.

However, Jessy withdraw from the partnership on 30 September 2021.

The partnership profit or loss accounts for the year ended 31 December 2021 was as follows:

	RM	RM
Sales		597,500
Less: Cost of sales		<u>(117,950)</u>
Gross profit		479,550
Less:		
Partner's salary	167,400	
Interest on capital	39,150	
Depreciation	20,000	
Renovation	55,600	
Donation to unapproved fund	<u>12,550</u>	<u>(294,700)</u>
Net profit for the year		184,850

Additional information:

- Information pertaining to the partnership was as follows:

Period	Monthly salary (RM)
1 January 2021 – 30 September 2021	
Rowan	6,200
Kyra	4,800
Jessy	3,100
1 October 2021 – 31 December 2021	
Rowan	7,500
Kyra	6,000

- The interest on capital was 10% from 1 January until 30 September 2021 and decreased to 8% from 1 October until 31 December 2021.

Continued...

3. Profit sharing ratio for all of the three partners was 2:1:2 from 1 January until 30 September 2021 and Jessy withdrawn from the partnership on 30 September 2021. The existing partners started to share their profit based on the profit sharing ratio of 3:2 for Rowan and Kyra respectively from 1 October until 31 December 2021.
4. The capital allowances claimed for the Year of Assessment 2021 was RM48,000.

Required

- a) Calculate the provisional adjusted income for the partnership in 2021. You are required to show the details of each of the partners' private expenses in your workings. (8 marks)
- b) Calculate the divisible income for the partnership in 2021. (1.5 marks)
- c) Calculate the adjusted income for the partnership in 2021. (8.5 marks)

PART B

Clear Oil Sdn. Bhd. commenced its business on 1 May 2018 by having palm oil plantation businesses. The company prepares its account up to 31 December every year. The company incurred the following expenses since year 2018 until current:

1 June 2018	Acquire a land at a cost of RM300,000.
25 July 2018	Planting new crops on the land that was cleared for planting with an amount of RM240,000.
12 August 2018	Construction of labor quarter of RM180,000.
8 June 2019	Construction of the warehouse of RM100,000.
9 March 2020	Grant received from government on planting of palm tree amounted to RM50,000.
31 March 2021	Clear Oil Sdn. Bhd. sold its plantation to Minyak Kuning Berhad for RM600,000.

Required

Calculate the agriculture allowance for Clear Oil Sdn. Bhd. for the relevant year assessment up to year 2021. (7 marks)

(Total : 25 Marks)

Continued...

QUESTION 4**PART A**

Rebecca, a Malaysian citizen signed a sale and purchase agreement to acquire a land of RM182,040 on 13 April 2019. She took the ownership of the land on 1 June 2019 after completing the full payment on 20 May 2019.

Rebecca starts to build 2 small houses with the intention to rent out the houses. The expenses incurred are as follows:

- a) Stamp duty on acquisition of RM1,280.
- b) Legal fees on land acquisition of RM3,100.
- c) Brokerage fees for the acquisition of the land of RM2,800.
- d) Legal fees in defending title for the land of RM3,240.
- e) Construction cost of building of RM183,200.
- f) Fencing for the tenant safety of RM3,700.
- g) Electrical wiring of RM15,700.
- h) Drainage and irrigation amounting to RM6,600.

However, after several years in operation Rebecca decides to sell all of the two houses with a total of RM580,000 on 10 June 2021. The expenditure consists of:

- a) Advertisements to seek a buyer of RM1,770.
- b) Valuation fees amounting to RM2,270.
- c) Real estate agent's fees of RM1,800.

Required

- a) In relation to the Real Property Gains Tax 1976 (as amended), compute the real property gains tax liability for Rebecca in respect of the disposal of the house. Include the acquisition and disposal date of the property in your answer. (11 marks)
- b) Explain what is inter vivos gift. (2 marks)

Continued...

PART B

1.	Ratu Company, a resident company in Malaysia signed a contract payment with PT. Sweet (from Indonesia) of RM800,000 in year 2021. The job of the contract will be based in Malaysia.
2.	Zibel Sdn. Bhd. is Malaysian resident company. The company entered into an agreement with Hamsaan Ltd. (a Korean company) for the technical assistance. Zibel Sdn. Bhd. paid Hamsaan Ltd. a royalty of RM200,000 in year 2021.
3.	Jastin Vyber is a non-resident in Malaysia. He receives RM35,000 accommodation allowance since he was in Malaysia a month ago. He also receives RM210,000 for his remuneration as public entertainer for the year of 2021 in Malaysia.

Required

Explain/ give reason whether each of the above independent situation is subjected to withholding tax (WHT) and where applicable provide the rate of WHT by using the following template:

<i>No.</i>	<i>Subject to WHT / Not and the reason</i>	<i>WHT rate</i>	<i>Working (if any)</i>

(12 marks)

(Total : 25 Marks)**Continued...**

APPENDIX

The following rates and allowances are to be used in answering all questions:

Rates of Capital & Industrial Buildings Allowances for YA 2021:

Fixed assets/ Rate	Initial Allowance	Annual allowance
Motor vehicles, Heavy machinery	20%	20%
Plant & Machinery (general)	20%	14%
Office equipment, Furniture & Fittings	20%	10%
Industrial building	10%	3%
Public roads and ancillary structures which are recoverable through toll	10%	6%

Rates of Agriculture and Forest Allowances YA 2021:

Capital expenditure incurred on:	Rate
(a) the clearing and preparation of land for the purpose of agriculture	50%
(b) the planting (but not replanting) of crops on land cleared for planting	50%
(c) the construction on a farm of roads or bridges	50%
(d) construction on a farm of a building for the welfare of persons or as living accommodation for a person employed for the working of a farm (labour quarter, temple).	20%
(e) construction of any other building (smoke house, estate office)	10%

Rates of Real Property Gains Tax: *Effective 1st January 2014 onwards*

Real property	Malaysian Individual (Permanent resident or citizen)	Foreigners	Companies
Disposal within 3 years	30%	-	30%
Disposal in the 4th years after the acquisition date	20%	-	20%
Disposal in the 5th years after the acquisition date	15%	30%	15%
Disposal in the 6th years after the acquisition date or thereafter	5%	10%	10%

End of Paper.